

## CREDIT AND DEBT MANAGEMENT OPERATING STANDARDS AND PROCEDURES HANDBOOK

### CHAPTER 3. POLICY

#### Section 1.0 General

##### .01 Financial Assistance (Credit Extension) Functions

Departmental policy, procedures and standards for financial assistance programs (including grants, cooperative agreements, loans and loan guarantees) are administered by the Office of Executive Budgeting and Assistance Management (OEBAM). See Departmental Organizational Order (DOO) [20-28](#). Also refer to Departmental Administrative Order (DAO) [203-26](#), Department of Commerce Grants Administration for guidance on grants and cooperative agreements. Operating policies, procedures and standards for financial assistance and credit extension functions, which are established and maintained by OEBAM, are included in Appendix A for this Handbook for the user's convenience.

##### .02 Debt Management Functions

The Office of Financial Management (OFM) is responsible for developing, issuing and implementing policies, procedures and standards for the management of Federal debts, including debt accounting and financial reporting, loan servicing, debt portfolio management and debt collections.

#### Section 2.0 Debt Accounting and Financial Reporting

##### .01 Standard General Ledger Compliance at Transaction Level

Debt accounting records shall be maintained in compliance with [Standard General Ledger](#) requirements at the transaction level.

.02 Principles and Standards

Accounting and reporting systems will meet the principles and standards established by central agencies. The systems will meet the specific requirements established by:

- a. [OMB Circular A-129, “Managing Federal Credit Programs;”](#)
- b. [OMB Circular A-127, “Financial Management Systems;”](#)
- c. Title 2 - GAO Manual “Accounting Principles and Standards;” (specifically the preparation of annual financial statements reflecting the overall position and operations of major loan programs);
- d. [Treasury/OMB “Guidelines for Credit Bureau Reporting;”](#)
- e. [Treasury Financial Manual reporting requirements.](#)

.03 Other Requirements

The accounting and reporting systems will also meet the credit management needs of organization unit operating personnel. This will include but not be limited to the development of loan loss estimates, collection targets, and write-off estimates. The systems will permit calculation of various performance measures and rates by credit and debt management program officials.

Section 3. Loan Servicing

All agencies must meet loan servicing standards as set forth in [OMB Circular A-129](#) regarding loan documentation, billing and collections, the use of escrow accounts and debt reporting to credit reporting agencies. Loan servicing procedures are provided in [Chapter 7, “Debt Servicing”](#) of this Handbook.

#### Section 4. Debt Portfolio Management

##### .01 Intent and Purpose

The intent and purpose of periodic debt portfolio reviews are set forth in [OMB Circular A-129, IV 3](#).

##### .02 Annual Portfolio Review

Organization units will review, at least annually, the economic and legal feasibility of selling all or a portion of their loan portfolio(s). The review will include current and proposed statutory and regulatory provisions governing loan programs and propose removal of any impediment to loan sales on a non-recourse basis. When feasible, organization units should sell loans for cash without recourse, repurchase agreement, or other Federal guarantees. Organization units should consider the sale of loans under present value arrangements to the original borrower.

Proposed sales of loan assets held by organization units will be reported to, and coordinated with, the Office of Management and Budget and the Department of the Treasury.

#### Section 5. Debt Collections

The debt collection standards provided in [OMB Circular A-129](#) shall apply to all organizational units within the Department.

##### .01 Fair But Aggressive Collection Action

Each organization unit shall take fair but aggressive collection action on a timely basis with effective follow-up to collect all debts. A total of three progressively stronger written demand letters at not more than 30-day intervals will be sent to the delinquent debtor. These demand letters will include appropriate legal notification requirements for collection actions planned by the organization unit, such as administrative offset, collection agency referral, and credit bureau reporting.

Direct contact with the borrower--such as telephone contact or on-site visit--may substitute for the demand letter(s). However, the letter(s) may be needed to document that the debtor has been notified as to collection actions that the agency may undertake, such as salary or administrative offset, as well as reporting the delinquent debt (in the case of an individual) to a credit reporting bureau and Treasury for cross-servicing. Timing of collection actions by the organization unit should give due regard to the fact that the probability of successful collection

of an overdue account rapidly deteriorates after the first 90 days of delinquency, and the need to act promptly so that if it is necessary to refer the debt to the Department of Justice for litigation, such referral can be made within one year of delinquency.

.02 Private Sector Credit/Debt Collection Resource

To the extent permitted by law, organization units will use private sector resources in judging the credit worthiness of financial assistance applicants as well as in the collection of delinquent claims. Organization units will also provide, as directed by the Department, commercial and delinquent consumer debt status information to private sector credit reporting bureaus approved by the Office of Management and Budget.

.03 Debt Rescheduling and Workout Plans

Debt rescheduling and Workout Plans shall be in writing, approved by the appropriate organization unit official, and be made available upon request from auditors or other Departmental units.

.04 Delinquent Debts Transferred to Treasury

As required by the Debt Collection Improvement Act of 1996, debts delinquent by more than 180 days will be referred to Treasury for cross-servicing. This review and transfer process shall be accomplished on a monthly basis.

If a debt is not referred to Treasury, the reason(s) for non-referral shall be documented by the responsible organizational unit. Such documentation shall be available for inspection as needed.